



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-2

November 9, 2010

MR. PAUL HOAG, TREASURER  
OHIO REPUBLICAN PARTY STATE CENTRAL  
& EXECUTIVE COMMITTEE  
211 S. FIFTH STREET  
COLUMBUS, OH 43215

**Response Due Date**  
**12/14/2010**

IDENTIFICATION NUMBER: C00162339

REFERENCE: JULY MONTHLY REPORT (06/01/2010 - 06/30/2010)

Dear Treasurer:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **Failure to adequately respond by the response date noted above could result in an audit or enforcement action.** Additional information is needed for the following 4 item(s):

1. Your report discloses a refunded contribution(s) from a federal political committee totaling \$5,000 on Schedule A supporting Line 11(c) of the Detailed Summary Page. If the check received by your committee was not cashed, you should itemize the voided check on Schedule A supporting Line 11(c) as a negative entry. Line 28(c) should be used if your committee cashed the check and wrote a refund. Please amend your report to correct this discrepancy or provide clarification regarding this transaction.
2. Your report discloses a \$2,085.30 transfer-out to the non-federal account of in-kind contributions received ("donations") from "Microsoft" on Schedule H3, supporting Line 18(a) of the Detailed Summary Page. The Commission notes your memo text: "This allocation refund is due to an In Kind receipt from Microsoft dated 3/13/2010, but not reported to us until 5/13/2010. This is a refund of the non federal portion of that In Kind for software." Your report also discloses a \$3,060.53 transfer-out to the non-federal account of in-kind contributions received ("donations") from "Microsoft" and "Professionals Aviation Company Inc" on Schedule H3, supporting Line 18(a) of the Detailed Summary Page. The Commission notes your memo text: "This is an allocation refund for the non federal portion In Kinds received from: Professional Aviation on 5/20/10 - refund = \$1,003.34; and from Microsoft on 5/25/10 - refund = 2,057.19. Copy of this check for this refund sent separately."

Pursuant to Advisory Opinion 1992-33, the Commission concluded that a party committee may accept corporate in-kind donations in connection with

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fundraising activities as long as the federal share of goods or services is paid or transferred to the non-federal account upon receipt of or in advance of the acceptance of the corporate in-kind donations by the federal account.

Advisory Opinion 1992-33 also discloses a detailed method for reporting the receipt and use of in-kind contributions as follows:

1. The transfer of the in-kind corporate contribution from the non-federal account to the federal account should be disclosed on Schedule H3. The itemization on Schedule H3 should include the date the Committee received the in-kind contribution, the amount of the contribution and the fundraising event involved.
2. The use or expenditure of in-kind corporate contributions should be disclosed on Schedule H4 as non-federal share disbursements. The itemization should provide the same donor identification information required on a Schedule A for in-kind contributions for Federal elections.
3. A second entry on Schedule H4 should then disclose the advance or contemporaneous payment of the federal account's share of the in-kind corporate contribution to the non-federal account. This entry should not be shown as a negative entry on Schedule H3, even if the transfer-out to the non-federal account was not made prior to or on the same day as the receipt of the prohibited in-kind.

Please amend your Amended April Monthly (3/1/10 - 3/31/10), received 5/20/10, June Monthly (5/1/10 - 5/31/10) and July Monthly (6/1/10 - 6/30/10) Reports to properly disclose the in-kind corporate contributions received by your committee by providing the transfer of the in-kind contribution from the non-federal account to the federal account on Schedule H3; the use or expenditure of the in-kind contributions on Schedule H4 as a 100% non-federal disbursement; and the second entry on Schedule H4 that discloses the transfer-out to the non-federal account (example enclosed).

3. Schedule H3 of your report discloses transfers totaling \$5,145.83 to your non-federal account for what appears to be the federal account's share of an in-kind corporate contribution(s) to the non-federal account. Pursuant to Advisory Opinion 1992-33, the Commission concluded that a party committee may accept corporate in-kind contributions in connection with fundraising activities as long as the federal share of goods and services is paid or transferred to the non-federal account *in advance or upon receipt* of the acceptance of the corporate in-kind donations. It appears that the federal share

## OHIO REPUBLICAN PARTY STATE CENTRAL &amp; EXECUTIVE COMMITTEE

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of the in-kind donation(s) received by your committee was not transferred to the non-federal account in advance or upon receipt of the acceptance of the corporate in-kind donation(s). The Commission notes your memo text: "This is an allocation refund for the non federal portion In Kinds received from: Professional Aviation on 5/20/10 - refund = \$1,003.34; and from Microsoft on 5/25/10 - refund = 2,057.19. Copy of this check for this refund sent separately" and "This allocation refund is due to an In Kind receipt from Microsoft dated 3/13/2010, but not reported to us until 5/13/2010. This is a refund of the non federal portion of that In Kind for software."

Please clarify the procedures that you are currently using regarding the acceptance of corporate in-kind contributions by the federal account and amend your report if necessary.

4. Your report disclosed a category of financial activity that has been reflected on the wrong line of the Detailed Summary Page. Contributions or transfers-in of excess campaign funds from federal candidates should be properly disclosed on a separate Schedule A, supporting Line 11(c) of the Detailed Summary Page. Please refer to the instructions for each line when determining the proper categorization(s) for your next filing.

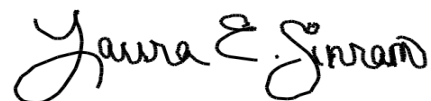
**Please note, you will not receive an additional notice from the Commission on this matter.** Adequate responses must be received by the Commission on or before the due date noted above to be taken into consideration in determining whether audit action will be initiated. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action. **Requests for extensions of time in which to respond will not be considered.**

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you should have any questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1157.

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Sincerely,

A handwritten signature in black ink that reads "Laura E. Sinram". The signature is written in a cursive style with a large initial "L" and a distinct "E" before the last name.

Laura Sinram  
Senior Campaign Finance Analyst  
Reports Analysis Division

ALLOCATION OF REBATE (H4) (METHOD 1)

**SCHEDULE H4 (FEC Form 3X)**  
**DISBURSEMENT FOR SHARED FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE**

PAGE 1 OF 1  
FOR LINE 21a OF FORM 3X

NAME OF COMMITTEE (In Full)  
Freedom Party State Committee

A. Full Name (Last, First, Middle Initial)  
Acme Office Supplies

Mailing Address  
111 Paddenpencil St.

City State Zip Code  
City ST 00000

Purpose of Disbursement:  
Rebate

Activity or Event Identifier:  
001

Category/Type

Allocated Activity or Event:  
☒ Administrative ☐ Fundraising ☐ Exempt  
☐ Voter Drive ☐ Direct Candidate Support

Allocated Activity or Event Year-To-Date  
6,600.00

Date 03 / 15 / 2010

FEDERAL SHARE + NON-FEDERAL SHARE = TOTAL AMOUNT  
-144.00 -256.00 -400.00

RECEIPT OF REBATE (A/LINE 15) (METHOD 2)

**SCHEDULE A (FEC Form 3X)**  
**ITEMIZED RECEIPTS**

Use separate schedule(s) for each category of the Detailed Summary Page

FOR LINE NUMBER: (check only one)  
☐ 11a ☐ 11b ☒ 11c ☐ 12 ☐ 13 ☐ 14 ☐ 15 ☐ 16 ☐ 17

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)  
Freedom Party State Committee

Full Name (Last, First, Middle Initial)  
A. Acme Office Supplies

Mailing Address  
111 Paddenpencil St.

City State Zip Code  
City ST 00000

FEC ID number of contributing federal political committee.  
C

Name of Employer Occupation

Receipt For:  
☐ Primary ☐ General  
☐ Other (specify)

Aggregate Year-to-Date  
400.00

Date of Receipt  
03 / 15 / 2010

Amount of Each Receipt this Period  
400.00

Rebate.

NONFEDERAL TRANSFER (H4) (METHOD 2)

**SCHEDULE H4 (FEC Form 3X)**  
**DISBURSEMENT FOR SHARED FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE**

PAGE 1 OF 1  
FOR LINE 21a OF FORM 3X

NAME OF COMMITTEE (In Full)  
Freedom Party State Committee

A. Full Name (Last, First, Middle Initial)  
Freedom Party State Committee Nonfederal Account

Mailing Address  
111 Politics St.

City State Zip Code  
City ST 00000

Purpose of Disbursement:  
Transfer of Nonfederal Share of Rebate

Activity or Event Identifier:  
(See Schedule A)

001

Category/Type

Allocated Activity or Event:  
☒ Administrative ☐ Fundraising ☐ Exempt  
☐ Voter Drive ☐ Direct Candidate Support

Allocated Activity or Event Year-To-Date

Date 03 / 15 / 2010

FEDERAL SHARE + NON-FEDERAL SHARE = TOTAL AMOUNT  
256.00 0.00 256.00

10. Prohibited In-Kind Donations for Allocable Administrative and Fundraising Activities

While contributions from corporations, labor organizations and federal government contractors are prohibited under federal law, they are permissible under some state laws. If that is the case, such donations may be accepted by a nonfederal account for strictly nonfederal activity. However, the situation is more complicated when donations of goods or services from such sources are made in connection with allocable activity, such as a fundraiser at which both federal and nonfederal funds are collected. The acceptance of nonfederal goods or services has been limited to allocable administrative or fundraising activity. See AO 1992-33.<sup>4</sup>

Advance Payment of Federal Share

To avoid the receipt of a prohibited contribution by the federal account, that account must pay the nonfederal account for the federal share of the in-kind donation. This payment—a transfer to the nonfederal account—must be made in advance or on the date the goods or services are received.

Per-Transaction Transfers

The federal transfer may be made on a per-transaction basis—that is, shortly before or on the same day the in-kind donation is received.

<sup>4</sup> In AO 1992-33, the Commission explained how a party committee can legally accept an in-kind donation from a prohibited source in connection with an allocable administrative or fundraising activity. Note that the AO explicitly did not apply this allowance to the acceptance by nonfederal accounts of in-kind corporate donations for voter drive activity, direct candidate support, or exempt activities. Although AO 1992-33 no longer applies to national party committees, it may still apply to state, district and local party committees in certain circumstances.

Escrow Transfers

Alternatively, the federal account may make bulk transfers to cover the federal share of anticipated in-kind donations. Under this “escrow” arrangement, a committee makes a good faith estimate of the amount of in-kind donations that it expects to receive and transfers sufficient funds from the federal account to cover the federal share.

Adjustments

Should the federal account pay more than its share of an in-kind donation, adjustment transfers from the nonfederal account are permissible.

Basic Reporting of In-Kind Donations: Example

On October 1, a state party committee receives a \$5,000 in-kind donation of flowers from a corporation for a federal/nonfederal fundraiser (“Chairman’s Gala”). The estimated allocation ratio for the fundraiser is 50 percent federal and 50 percent nonfederal. That same day, the federal account transfers its share of the in-kind donation (\$2,500) to the nonfederal account.

Required Forms

- Schedule H2—Allocation Ratios
- Schedule H3—Transfers from Nonfederal Account
- Schedule H4—Payments for Allocable Expenses

Schedule H3—Receipt of In-Kind Donation

The committee reports the receipt of the in-kind donation as a transfer from the nonfederal account for the “Chairman’s Gala” fundraiser. The date used here is the date the committee received the flowers.

“Disbursement” of In-Kind Donation (H4)

Like in-kind contributions, in-kind donations must be reported as both receipts and disbursements so as not to inflate the cash-on-hand balance. (The disbursement side reflects the use or “expenditure” of the resources.) Schedule H4 is used for the disbursement entry, which shows the \$5,000 in-kind donation as a 100 percent nonfederal disbursement. The donor’s name and address is disclosed in the box generally used for payees.

Transfer from Federal Account (H4)

The second entry on Schedule H4 shows the contemporaneous transfer of \$2,500 (the federal share of the donation) from the federal account to the nonfederal account. The explanation of the transfer is described in the “Purpose” box, with a reference to the previous entry.

Alternative Reporting Method

To minimize entries and avoid duplication, a committee may use alternative methods to report transactions relating to in-kind donations.

The committee may use one entry on Schedule H3 to show the receipt of all in-kind donations made within the same reporting period for a particular fundraising program or event (or administrative activity).

RECEIPT OF IN-KIND DONATION (H3)

SCHEDULE H3 (FEC Form 3X)  
TRANSFERS FROM NON-FEDERAL ACCOUNTS FOR  
SHARED FEDERAL / NON-FEDERAL ACTIVITY

PAGE 1 OF 1  
FOR LINE 18a OF FORM 3X

NAME OF COMMITTEE (In Full)  
Freedom Party State Committee

NAME OF ACCOUNT  
Nonfederal Account

DATE OF RECEIPT  
10 / 01 / 2010

TOTAL AMOUNT TRANSFERRED  
5,000.00

BREAKDOWN OF TRANSFER RECEIVED

i) Total Administrative

ii) Generic Voter Drive

iii) Exempt Activities

iv) Direct Fundraising (List Activity or Event Identifier)  
a) Chairman's Gala - In Kind 5,000.00

DISBURSEMENT OF IN-KIND DONATION; FEDERAL TRANSFER (H4)

SCHEDULE H4 (FEC Form 3X)  
DISBURSEMENT FOR SHARED FEDERAL/NON-FEDERAL  
ACTIVITY SCHEDULE

PAGE 1 OF 1  
FOR LINE 21a OF FORM 3X

NAME OF COMMITTEE (In Full)  
Freedom Party State Committee

A. Full Name (Last, First, Middle Initial)  
Pretty Flowers, Inc.  
Mailing Address  
111 West Meadow Lane  
City State Zip Code  
City ST 00000  
Purpose of Disbursement:  
Flowers - In Kind 003  
Activity or Event Identifier:  
Chairman's Gala  
Allocated Activity or Event:  
☐ Administrative ☒ Fundraising ☐ Exempt  
☐ Voter Drive ☐ Direct Candidate Support  
Allocated Activity or Event Year-To-Date  
5,000.00  
Date 10 / 01 / 2010

FEDERAL SHARE + NON-FEDERAL SHARE = TOTAL AMOUNT  
0.00 5,000.00 5,000.00

B. Full Name (Last, First, Middle Initial)  
Freedom Party State Committee  
Mailing Address  
111 Washington St.  
City State Zip Code  
City ST 00000  
Purpose of Disbursement:  
Transfer of Federal Share of Flowers--In Kind 003  
Activity or Event Identifier:  
Chairman's Gala  
Allocated Activity or Event:  
☐ Administrative ☒ Fundraising ☐ Exempt  
☐ Voter Drive ☐ Direct Candidate Support  
Allocated Activity or Event Year-To-Date  
Date 10 / 01 / 2010

FEDERAL SHARE + NON-FEDERAL SHARE = TOTAL AMOUNT  
2,500.00 0.00 2,500.00

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Chapter 13

Allocating Certain Federal and Nonfederal Expenses

The committee may also use one entry on Schedule H4 to show total federal payments (transfers) made on the same day for the federal share of in-kind donations.

Example

A committee receives two in-kind donations from prohibited sources for a mixed federal/nonfederal fundraising event, “July Fundraiser”:

- Invitations donated by XYZ Printing (value: \$3,000) received on July 1; and
- Balloons donated by Balloons!, Inc. (value: \$1,000) received on July 15.

The fundraising ratio for “July Fundraiser” is 50 percent federal, 50 percent nonfederal. The federal account transfers its \$2,000 share of the two donations on July 1.

Schedule H3—Receipt of In-Kind Donations

The committee uses one entry on Schedule H3 to show the total in-kind donations for “July Fundraiser” received during the reporting period. The “date of receipt” shows the period during which the committee received the contributions. The “July Fundraiser” entry cross references the Schedule H4 entries showing the “disbursement” of the donations and the identity of the contributors.

Schedule H4—“Disbursement” of Donations; Federal Transfer

Schedule H4 shows the “disbursement” of the two in-kind donations by the non-federal account, each entry identifying the donor and the dates the donations were received.

The third entry shows the federal account’s payment for its 50 percent share of the two donations and the date of the transfer to the nonfederal account. The entry refers to the previous two entries to show the transfer relates to those transactions.

“Escrow” Transfer

Advance transfers from the federal account to the nonfederal account to pay the federal share of anticipated in-kind donations for allocable activities are reported on Schedule H4 as federal share payments. If known, the particular activity (fundraising program/event or administrative) to which the

RECEIPT OF IN-KIND DONATION (H3)

SCHEDULE H3 (FEC Form 3X)  
TRANSFERS FROM NON-FEDERAL ACCOUNTS FOR  
SHARED FEDERAL / NON-FEDERAL ACTIVITY

PAGE 1 OF 1  
FOR LINE 18a OF FORM 3X

NAME OF COMMITTEE (In Full)  
Freedom Party State Committee

NAME OF ACCOUNT  
Nonfederal Account

DATE OF RECEIPT  
07 / 01 / 2010

TOTAL AMOUNT TRANSFERRED  
4,000.00

BREAKDOWN OF TRANSFER RECEIVED

i) Total Administrative

ii) Generic Voter Drive

iii) Exempt Activities

iv) Direct Fundraising (List Activity or Event Identifier)

a) July Fundraiser - In-kind  
see H4, p. 1, entries A&B

4,000.00

b)

c) Total Amount Transferred For Direct Fundraising

4,000.00

DISBURSEMENT OF IN-KIND DONATION; FEDERAL TRANSFER (H4)

SCHEDULE H4 (FEC Form 3X)  
DISBURSEMENT FOR SHARED FEDERAL/NON-FEDERAL  
ACTIVITY SCHEDULE

PAGE 1 OF 1  
FOR LINE 21a OF FORM 3X

NAME OF COMMITTEE (In Full)  
Freedom Party State Committee

A. Full Name (Last, First, Middle Initial)  
XYZ Printing

Mailing Address  
111 Pulp Street

City  
City

State  
ST

Zip Code  
00000

Purpose of Disbursement:  
Invitations - In-kind

003

Category/  
Type

Allocated Activity or Event:  
☐ Administrative ☒ Fundraising ☐ Exempt  
☐ Voter Drive ☐ Direct Candidate Support  
Allocated Activity or Event Year-To-Date  
3,000.00

Date  
07 / 01 / 2010

FEDERAL SHARE + NON-FEDERAL SHARE = TOTAL AMOUNT  
0.00 + 3,000.00 = 3,000.00

B. Full Name (Last, First, Middle Initial)  
Balloons! Inc.

Mailing Address  
99 Luft St.

City  
City

State  
ST

Zip Code  
00000

Purpose of Disbursement:  
Balloons - In-kind

003

Category/  
Type

Allocated Activity or Event:  
☐ Administrative ☒ Fundraising ☐ Exempt  
☐ Voter Drive ☐ Direct Candidate Support  
Allocated Activity or Event Year-To-Date  
1,000.00

Date  
07 / 01 / 2010

FEDERAL SHARE + NON-FEDERAL SHARE = TOTAL AMOUNT  
0.00 + 1,000.00 = 1,000.00

C. Full Name (Last, First, Middle Initial)  
Freedom Party State Committee Nonfederal Account

Mailing Address  
123 Washington St.

City  
City

State  
ST

Zip Code  
00000

Purpose of Disbursement:  
Transfer of Federal Share of In-kind

003

Category/  
Type

Allocated Activity or Event:  
☐ Administrative ☒ Fundraising ☐ Exempt  
☐ Voter Drive ☐ Direct Candidate Support  
Allocated Activity or Event Year-To-Date

Date  
07 / 01 / 2010

FEDERAL SHARE + NON-FEDERAL SHARE = TOTAL AMOUNT  
2,000.00 + 0.00 = 2,000.00

transfer applies should be noted. Any adjustment payments made from the nonfederal account to the federal account would appear on Schedule H3, noting the previous H4 entries to which they relate.